

# **THE NSP SUBSTANTIAL AMENDMENT**

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## ***A. AREAS OF GREATEST NEED***

**Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.**

### **Response:**

The City of San Diego is the largest city in the County of San Diego metropolitan statistical area (MSA, also known as "San Diego-Carlsbad-San Marcos"). The City of San Diego is a coastal city in Southern California located in the southwestern corner of the continental United States. The city has a population of approximately 1,255,240 people. It is the second largest city in California and the eighth largest in the United States. Since the foreclosure crisis became newsworthy in summer of 2007, this MSA at one point was the eleventh most impacted foreclosure area in the country. Within San Diego County, there were 1,979 foreclosures in August of 2008, a 1 percent decline from July 2008, but a rise of nearly 140 percent over the previous year.

California is a non-judicial foreclosure state. The foreclosure process begins with a recorded Notice of Default (NOD), which is a public notification that the borrower has fallen behind in the monthly mortgage payments. If the default is not cured, or the loan renegotiated or replaced, the NOD is followed by a Notice of Trustee's Sale (NOTS) after a minimum of three months. The actual Trustee's Sale can not occur less than 20 days after public notice. The Trustee's Sale is a public auction, at which anyone may place a bid, including the lender and any junior lien holders. The foreclosure process may be stopped if the default is cured 5 days in advance of the sale date. If no one bids, and the foreclosure process was not stopped, title (ownership) of the property reverts to the lender as Real Estate Owned (REO) property. The typical foreclosure process takes at least 117 days in California.

There were a total of 6,111 properties taken all the way through the foreclosure process in the MSA from July 1, 2007 through September 30, 2008 in the City. In relation to all housing units (as estimated by the San Diego Association of Governments, 2008), this represents 1.21% for the City of San Diego. This also corresponds to 1 in 83 homes becoming bank-owned during this period.

Foreclosures have occurred throughout the City of San Diego, but are concentrated in certain areas. The U.S. Department of Housing and Urban Development (HUD) has compiled a set of data that include the following:

- Area average housing sales price decline (since the peak of the market);
- High cost loan rate (mortgages with interest-only payment options, stated income mortgages, mortgages with high loan to ratios, etc.);
- The predicted 18 month underlying foreclosure rate; and
- Housing units that have been vacant for at least 90 days.

The data is made available at the Census Tract Block Group (CTBG) level for the entire country. The City of San Diego began its needs assessment in response to the housing crisis (high number of foreclosed, vacant properties beginning to have adverse effects on neighborhoods) by identifying the CTBG in the City with income levels at or below 120% Area Median Income (AMI). For purposes of this Substantial Amendment, the low, moderate and middle-income areas will be noted as “LMMI” (at least 51% of the residents in LMMI areas have incomes at or below 120% AMI). This data was provided by HUD and can be found on their website:

[http://www.huduser.org/publications/commdevl/nsp\\_target.html](http://www.huduser.org/publications/commdevl/nsp_target.html).

The data for San Diego was evaluated and a priority ranking system for those CTBGs most at risk of becoming blighted due to large numbers of vacant, foreclosed units was developed. A visual representation of these impacts is shown as Exhibits A1-A9; Exhibit A10 plots houses that have become REOs during the period July 2007 – September 2008.

The HUD data, in addition to a break-down of income levels by CTBG, also provides the following information:

- Estimated foreclosure/abandonment risk score (1 to 10 with 10 being the highest risk) – San Diego’s data ranged from 1 to 10;
- Rate of high cost loans (2004 – 2006) – San Diego’s data ranged from 0.0% to 100.0%;
- Predicted 18 month underlying problem foreclosure rate – San Diego’s data ranged from 0.0% to 18.6%;
- Rate of housing price decline since the peak in the housing market (as of June 2008) – San Diego’s rate is -18.2%;
- Unemployment rate (as of June 2008) – San Diego’s rate is 5.9%; and
- Residential vacancy rate (as of June 2008) – San Diego’s rate ranged from 0.0% to 11.1%.

Of the 879 San Diego CTBGs provided by HUD, only 550 of them met the eligibility under Housing and Economic Recovery Act of 2008 (HERA) as areas which would satisfy the requirement that NSP funds be used to serve persons earning less than 120% AMI. The eligibility of areas for the City of San Diego, utilizing Neighborhood Stabilization Program (NSP) funding restrictions, is shown in Exhibit A1.

As can be seen on the map, the eligible areas range from Mira Mesa in the north to San Ysidro in the south along the border. When overlaid against Exhibits A4, A5, A6 and A7 it becomes clearer that the greatest concentration of eligible areas as well as areas facing

a predicted 18-month underlying problem in the foreclosure rate (this rate does not provide the actual level of foreclosures in an area, but rather predicts what the foreclosure risk might be going forward) and areas running a high probability of foreclosure risk are concentrated south of El Cajon Blvd. and east of State Route 163. This correlates to heavy concentrations in City Council Districts 3, 4, 7 and 8, therefore the NSP funding will be focused in these areas.

Correlating the data supplied by HUD, if we overlay zip codes to focus the NSP funding even further in specific Community Planning Areas, we come up with the following zip codes: 92102, 92104, 92105, 92113, 92114 and 92154. These represent the communities of: Golden Hill, North Park, City Heights, Barrio Logan, and the Encanto neighborhoods respectively.

#### ***B. DISTRIBUTION AND USES OF FUNDS***

**Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note: The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.***

#### **Response:**

The City of San Diego will prioritize the use of the NSP funds by first targeting the acquisition of foreclosed units in neighborhoods with the highest concentration of subprime mortgage loans and at the highest risk of additional foreclosures, as evidenced through HUD-provided data and the City's data on foreclosures that have occurred from July 2007 through September 2008. In reviewing the requirements of HERA, the area south of El Cajon Blvd. and east of State Route 163 were found to meet all of the prerequisite criteria of the greatest percentage of home foreclosures (predicted 18 month underlying problem foreclosure rate).

In viewing this data mapped over the LMMI areas, it is clear that the LMMI areas appear to be the areas in the City that have the greatest percentage of all of the factors combines and should be the areas where NSP funds should be prioritized. It is City staff's recommendation, based upon all of the data analyzed, that the NSP funds be focused in the areas of greatest need as listed in the previous section.

The following was used to determine the NSP priority areas:

- Eligible LMMI areas (63% of the City);
- Areas with the foreclosure risk at 7 or above;
- Areas that will likely experience a high number of foreclosures over the next 18 months;

- Areas which have a high foreclosure risk score as established by HUD;
- Areas with high cost loan rate above 25%;
- Assist individuals and households with less financial resources than in other areas of the City; and
- Number of vacant properties in the area that have been foreclosed upon.

NSP priority areas identified above meets the requirements of HERA Section 2301(c) (2) in the following manner:

- An analysis of the locations of REOs, NODs and Trustee Sales show a higher propensity of activity in the central to central/east and southeastern portions of the City;
- The priority areas have the highest percentages of high cost loans;
- The priority areas also have the highest risk for foreclosure;
- The priority areas are also likely to face a significant rise in the number of foreclosures over the next 18 months.

The funds will be used in two primary activities, plus administration:

- 1) As a financing mechanism to ensure affordability (silent second and rehabilitation loan package) primarily for families buying units that have been rehabilitated through this program pursuant to Section 2301(c)(3)(A); and
- 2) Acquisition/rehabilitation and rental. As required, 25% of the funds will be used to serve residents earning at or below 50% AMI – the City of San Diego intends to utilize these funds for acquisition/rehabilitation of single family units pursuant to Section 2301(f)(3)(A)(ii);
- 3) Homebuyer education counseling under eligible uses as defined in Sections 2301(c)(3)(B) and (E) and pursuant to 24 C.F.R. 570.201(e); and
- 5) Administration of the program will not exceed 10% of the NSP grant and 10% of program income.

#### **Financing Mechanism (Section 2301(c)(3)(A))**

The City of San Diego would grant to the San Diego Housing Commission (SDHC) as a sub-recipient the entire \$9,442,370 to administer. 75% of that funding (\$6,831,778 less Activities 2 and 4) would be used by SDHC to finance the purchase of foreclosed homes. SDHC plans on negotiating with lenders to make REO portfolios of single family residences and condominiums in Council Districts 3, 4, 7 and 8 available to First Time Home Buyers (FTHB) at base prices at least 5% below appraised value. The final sales price to the buyer would be comprised of the bank's base price plus rehabilitation costs (including 1-2 months temporary rent if the REO is not available during rehabilitation phase).

SDHC would seek out conventional lenders participating in the SDHC's FTHB programs. The lender would be expected to provide fixed rate 30-year amortized 1<sup>st</sup> Trust Deed for 70% of the buyer's final sales price. SDHC would provide a 30-year deferred 2<sup>nd</sup> Trust Deed at 0% interest for between 17% and 27% of the buyer's final sales price, plus a closing costs grant for 3% of final sales price. The purchaser of the

home would be expected to provide a 3% down payment and any excess closing costs beyond the SDHC grant.

Eligible homebuyers must be FTHBs (not having owned a residence within the past three years). Household gross income cannot exceed 120% AMI (\$86,500 for a family of four). The buyer must be pre-approved, with verifiable household income, in good credit standing, and provide 3% of final sales price for their down payment. The buyer would also be expected to pay any excess closing costs over the SDHC 3% closing costs grant. Maximum housing expense and other credit debts would not be able to exceed 42% total debt ratio of gross household income.

SDHC would offer local banks assistance to sell their REOs through our FTHB programs if they offer single family residences and condos at prices 5% below appraised values. Banks with REOs, FTHB program lenders, real estate agents, home buyer counselors, and the SDHC would all advertise the availability of eligible REOs with assistance from the SDHC modified FTHB program.

Appraised values would need to be determined for eligible REO properties. Buyers who have been pre-approved would need to make the offer to purchase the eligible REO from the bank subject to a mutual agreement on an adjusted actual rehab cost to be determined later. For pre-1979 residences, SDHC will obtain bank authorization for lead testing and schedule a lead test within one week and arrange access to the home from the bank.

The bank would complete the underwriting for their 70% 1<sup>st</sup> Trust Deed and forward the loan package to the SDHC Loan Management staff for underwriting the SDHC 2<sup>nd</sup> Trust Deed and closing cost grant. When both loans are approved, the buyer would select a contractor from the submitted bids. The buyer would sign the bank and SDHC loan documents and construction contract. Escrow would receive the bank's 1<sup>st</sup> Trust Deed amount, the buyer's 3% down payment, the SDHC 3% closing cost grant and a portion of the SDHC 2<sup>nd</sup> Trust Deed to complete the purchase escrow, pay the bank the negotiated purchase price and close within 30 to 45 days.

Depending on the price discounts that can be achieved in the REO negotiation phase the number of homeowners that could be assisted with the \$6.4 million (total grant less the 25% low income set aside and 10% administration) that can assist up to 120% AMI:

- Home priced at \$200,000 (plus \$30,000 rehab) would assist 92 buyers
- Home priced at \$250,000 (plus \$30,000 rehab) would assist 75 buyers

**Acquisition/Rehabilitation & Rental for Low Income Tenants (Section 2301(f)(3)(A)(ii))**

There is a low income set aside provision in HERA where at least 25% of the NSP funds must be utilized for the benefit of families at or below 50% AMI. The City would once again grant the 25% to SDHC for administration as a sub-recipient of the funds for this program. SDHC has developed a program which would be modeled on SDHC's Public Housing Disposition plan.

Pursuant to HUD regulations, a tenant earning less than 50% AMI can only spend up to 30% of their income on housing. This restriction means that the income generated off of the rents for families at 50% AMI does not provide enough capital to maintain and operate the units at an acceptable level. Therefore, utilizing the Section 8 voucher program, the family would still pay only 30% of their income in rent, however the voucher would allow SDHC to realize higher rents through the subsidy from HUD. This additional income from the voucher would allow SDHC to maintain, operate and even expand the program.

To do this, SDHC and or a community-based, non-profit partner would purchase vacant foreclosed properties in areas of the city most impacted by the foreclosure crisis (Council Districts 3, 4, 7 and 8). These properties will then be rehabilitated and rented to families earning 50% AMI or less at initial occupancy. SDHC or a community-based, non-profit partner would retain these units within its portfolio and will be responsible for all property management functions.

With a rehabilitated cost of \$300,000 per unit being utilized, this assumes all homes will contain three bedrooms and a high standard for rehabilitation including lead based paint remediation as required.

In order to proceed expeditiously in response to the current crisis, it is recommended that SDHC pay cash for all costs associated with the acquisition and rehabilitation of the units and lease-up to eligible families, then leverage the properties utilizing conventional financing to the greatest extent feasible and repeat the acquisition/lease-up process.

Eligible households will receive a Project Based Housing Choice Voucher to be used first to assist the family with a rental subsidy and eventually as a Section 8 Homeownership opportunity. It is expected that through the use of Project Based Section 8 vouchers the increased revenue stream will allow for the purchase and rehabilitation of a greater number of foreclosed homes. It is estimated that approximately 30 self-sustaining rental homes could be created.

#### **Redevelop Demolished or Vacant Properties (Section 2301(c)(3)(E))**

In certain instances, the condition of specific units may warrant demolition instead of rehabilitation. A primary basis would be the proposed cost of rehabilitation. In such cases where the rehabilitation costs exceed the acquisition costs, staff would consult with the City's Development Services Department of Inspections regarding the structural soundness of the house. If deemed appropriate, demolition would occur. Plans to develop the parcel as an infill unit or units would commence as soon as practicable and may necessitate the partnership with local non-profit developers. Several redevelopment options would be considered. One option would be to sell the parcel to a non-profit developer for new construction; another option would be to make it available to a non-profit developer for special needs housing. Other possible uses under this activity type might include vacant, foreclosed properties that allow for the expansion or improvement of a public facility.

### **Homebuyer Education Counseling (24 CFR 570.201(e))**

As part of the NSP requirements, each eligible family seeking to purchase a foreclosed home with the assistance of NSP funding must first complete a HUD approved eight hour financial literacy/homebuyer education program. There are several agencies in San Diego which provide this service as part of their business model.

Due to the time constraints placed on the obligation of and expenditure of the NSP funding, the City will establish partnerships with these types of institutions in order to comply with NSP regulations and to also create a steady stream of eligible homebuyers for the REO properties. Assisting these agencies with funding is recommended however it will be incumbent on the SDHC and City's CDBG staff to monitor closely the types of counseling these agencies provide. Because these agencies provide both foreclosure prevention counseling and homebuyer education courses, use of the NSP funds would 'taint' their operations and prohibit them from providing foreclosure prevention counseling utilizing the NSP funds. Strict oversight of this will be paramount and the agencies providing the counseling/education services will be required to offer only homebuyer preparation courses at certain venues to ensure NSP monies are being spent only on eligible uses.

Additionally, the success of this program will also rely on a steady stream of eligible REO properties on which the seller is willing to give a minimum 5% discount from the appraised value to the homebuyer. To do that the City will need to tap into the REO portfolios of banks and even land banks in the region.

The synergistic relationship between the home buying counseling agencies, the SDHC loan products and the availability of REO properties should create a model of success for the program such that the funds will be obligated in 18 months and fully expended in the four year timeframe as established by HUD.

### ***C. DEFINITIONS AND DESCRIPTIONS***

#### **(1) Definition of "blighted structure" in context of state or local law.**

##### **Response:**

The City of San Diego uses the State of California's definition of blight as found at California Health and Safety Code Sections 33030 and 33031 which are attached as Exhibit B.

**(2) Definition of "affordable rents." *Note:* Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.**

**Response:**

For any NSP-funded rental activity, “affordable rents” shall be defined as 30% of the household’s adjusted income, less utility allowances as adopted by the Housing Authority of the City of San Diego for the Section 8 program, as appropriate. HUD’s Fair Market Rent schedule for the San Diego-Carlsbad-San Marcos MSA will be used (Exhibit D). Should any gap be present, funds for this gap will be required from other sources of funding.

**(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.**

**Response:**

Continued affordability will be ensured for the entire period of affordability through monitoring, following the specific HOME monitoring requirements as defined in 24 CFR Part 92.

**(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.**

**Response:**

For NSP related rehabilitation efforts, the City of San Diego will utilize SDHC’s Rehabilitation Standards. Rehabilitation Standards are used to prioritize work items when determining the final scope of work. Priorities include:

1. First priority is the elimination of Health/Safety hazards and code violations. This may include the following major systems or building components:
  - a. Structural: foundations, footings, chimneys, framing, siding, subfloors, roof diaphragm, retaining walls, etc.
  - b. Plumbing: drain, waste, and vent systems, hot and cold water pipes, drainage systems, plumbing fixtures, bathtubs, sinks, toilets, hot water heaters, etc.
  - c. Mechanical: heating and air conditioning to include any built-in, floor, central, wall gas or electric unit.
  - d. Electrical: safe adequate wiring, service panel/amperage for modern conveniences, service entrance, receptacles and, interior/exterior lighting.
  - e. Interior/Exterior building components: floor coverings, ranges/refrigerators, garbage disposal, kitchen cabinets, counter tops, vanities, drywall, painting, doors, windows, weatherization, smoke alarms, security bars, hazardous building construction materials, concrete work and fencing etc.
  - f. Required Lead-Based Paint remediation.



2. Second priority is the elimination of incipient violations. These work items would include all of the work mentioned above that are not code violations today, but will become violations at some time in the near future (two years or less). Examples include:
  - a. A roof covering that has reached its life expectancy, but shows no sign of leaking.
  - b. Floor covering that is excessively worn and in a reasonably short period of time will no longer be effective for the intended use.
  - c. Kitchen counter tops, appliances, bath vanities or tub surrounds which show pitted or worn surfaces but are not bad enough to classify as a code violation.
  - d. Paint that is aged near its useful life expectancy but remains a washable surface and provides adequate water and weather protection.
3. Third priority is energy and/or water conservation improvements. These conservation improvements or repairs include insulation, water saving toilets or other fixture, energy-efficient appliances, water heaters and xeriscope yard improvements.
4. Fourth priority is general property improvements. General property improvements are those items which cannot be classified in the first three categories but by their inclusion enhance the exterior or interior appearance of the dwelling or occupancy of the inhabitants. For the most part, general property improvements are limited to funding sources that allow them. In all cases the work must be justified. "Luxury" items are not allowed. Some examples of general property improvements are:
  - a. Dishwashers (dishwashers may be a higher priority depending on circumstances i.e., medical needs or replacement of an existing non-functioning unit).
  - b. Upgrading floor covering that may not be a safety or incipient violation.
  - c. Upgrading of obsolete kitchen cabinets that are in good to fair condition.

Individual rehabilitation programs administered by SDHC may forbid the installation or repair of certain items. It is the responsibility of the HCS to know and understand program regulations and make decisions accordingly. In addition, staff should be aware of and insure that corrective items that are in violation of the City of San Diego's building codes/ordinances as well as the Uniform Building Code, National Electric Code, Uniform Plumbing Code and the Uniform Housing Code are corrected.

Termite Repairs – a Termite Inspection Report is required and is prepared for every home by a licensed inspector. The report should identify any termite or dry rot damaged wood members in the home as well as whether or not there are any active

termite infestations in the home. Any termite or dry rot damaged wood members in the home are required to be replaced or repaired due to the health and safety risk they pose to the structural integrity of the home. Fumigation or other treatments recommended to eliminate any active termite infestations are required.

Ineligible Items – There are specific items that may or may not be allowed as eligible work and are determined by need, circumstances and individual program parameters. These items include:

1. Room Additions
2. Patio Covers and Slabs (replacement only unless existing conditions can be documented/justified and authorized by HCO)
3. Landscaping
4. Garages and Carports
5. Window Coverings

The following items are ineligible under most programs offered by SDHC:

1. Luxury materials, appliances, etc.
2. Replacement of items in “like new” condition early in to normal life expectancy
3. Mirrored closet doors
4. Greenhouses
5. Animal kennels/cages/runs
6. Swimming pools
7. Saunas/spas/sunken tubs
8. Outdoor fireplaces/barbecues
9. Trash compactors
10. Tennis courts
11. Wet bars
12. Security systems

Property owners can normally pay the difference in higher costs between what the program will allow and the item(s) of their preference.

#### ***D. LOW INCOME TARGETING***

**Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$39,500 for a family of four.**

***Note:* At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.**

**Response:**

The City of San Diego will make at least \$2,124,533 (25% of the City of San Diego's NSP allocation less 10% administrative funding, as required) available for acquisition/rehabilitation/rental as described above in Section B.

***E. ACQUISITIONS & RELOCATION***

**Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e.,  $\leq$  80% of area median income).**

**If so, include:**

- **The number of low- and moderate-income dwelling units—i.e.,  $\leq$  80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.**
- **The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e.,  $\leq$  120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).**
- **The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.**

**Response:**

All activities below are anticipated to be initiated upon the release of NSP funds – that is At the outset of the 2009 calendar year. All funds will be initially committed within 18 months; several of these activities anticipate returning funds (e.g. program income) which will continue to be used within the NSP guidelines as long as possible (Currently estimated to be July 2013).

- No conversions or demolitions are anticipated. As indicated in Section B above, a small number of units may be acquired and rehabilitated. Of these, none are anticipated to have had an affordability covenant; however some of these may have been occupied and/or owned by low- and moderate-income households.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households reasonably expected to be produced by the various activities are as follows:
  - o Financing mechanisms to first-time homebuyers through a silent second trust deed mortgage and rehabilitation loan: if all available funds are used in this category (total NSP grant less 25% to serve households below 50% AMI, less 10% for administration), and the average purchase price is \$220,000, the average rehabilitation costs are \$30,000, so the average sales price is \$250,000, and an average of \$50,000 of these proceeds remain in the unit as a silent second, then approximately 90 units could be

produced. Changes in average acquisition costs and changes in average rehabilitation costs could dramatically change this number.

o Acquisition/rehabilitation/rental in a lease-to-own plan: this is our program which will utilize the 25% of the NSP funding for low income targeting. After acquisition and rehabilitation by SDHC these units will be made available to Section 8 clients. In conjunction with the use of Section 8 Project Based vouchers, it is expected that the City can produce up to 30 self-sustaining rental homes which may over time result in homeownership opportunities for low income families.

#### ***F. PUBLIC COMMENT***

**Provide a summary of public comments received to the proposed NSP Substantial Amendment.**

**Response:**

The draft NSP Plan (Substantial Amendment) for the City of San Diego will be made available for public comment on the City's website as well as SDHC's website between November 1 through November 15, 2008. The draft Plan will then be forwarded to the City Council for consideration at a public hearing on November 18, 2008 at 2 p.m.

**G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)**

**Activity 1**

**(1) Activity Name:**

Financing Mechanism for the Purchase & Redevelopment of Foreclosed Upon Homes and Residential Properties

**(2) Activity Type: (include NSP eligible use & CDBG eligible activity)**

NSP – financing mechanism;

CDBG – 24 CFR 570.201(n) direct homeowner assistance (for silent second loan) and 24 CFR 570.202(b)(1) rehabilitation loan.

**(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).**

Low-income housing (as amended by NSP) – Beneficiaries will be restricted to low-, moderate-and middle-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% AMI as promulgated by HUD for this purpose.

**(4) Projected Start Date:**

Upon release of the funding by HUD.

**(5) Projected End Date:**

As long as funds are available (additional funds such as program income, may be allocated to this activity depending on the success of the resale portion of the NSP program and changing neighborhood dynamics as areas become more stabilized) and continued financing/rehab of properties continues, these funds will end no later than July 2013.

**(6) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)**

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Cissy Fisher, (619) 578-7588, [cissyf@sdhc.org](mailto:cissyf@sdhc.org)

The City of San Diego's Community Investment Department will assist in the oversight of the program.

**(7) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)**

Citywide, but staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the highest priority.

**(8) Activity Description:**

**Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.**

**For housing related activities, include:**

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

**For acquisition activities, include:**

- **discount rate**

**For financing activities, include:**

- **range of interest rates**

The areas of greatest need will be those located south of El Cajon Blvd. and east of State Route 163. The expected benefit to income-qualified person would be that this funding will represent a one-time opportunity for San Diego to help local families purchase homes that would be unavailable to them without this financial assistance. The City has limited funds for FTHB assistance and cannot not meet the current demand for assistance without this program. Local families will be able to purchase and rehabilitate homes near their jobs in the City, reducing commute time and increasing the time available for family and community activities. These families will also receive in-depth training in managing personal finances.

Finance/range of interest rates: interest rate on silent second loan financing will be zero percent to encourage families to participate in a program with resale restrictions.

**(9) Total Budget: (Include public and private components)**

The initial budget from NSP funds is \$6,123,600. Private components are not included, presuming worst-case scenario. In a best case scenario, the Redevelopment Agency of San Diego will likely dedicate funding in the Redevelopment Project Areas throughout the City where NSP funding will be utilized. The Redevelopment Agency's funding would go towards green rehabilitation efforts thus allowing more of the NSP funding to go towards the silent second loan product. Note that this is the primary NSP activity, and the budget may be increased by reduction of other activity budgets should circumstances warrant.

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

This activity is providing financing mechanism for the purchase and redevelopment of foreclosed upon homes and residential properties. The performance measurement

outcomes will be measured by the number of first time homebuyer and rehab loans made available to families making at or below 120% AMI. This activity is not expected to assist any households below 50% AMI. Because the success of the program is heavily reliant upon the negotiated price of each home, the initial anticipated number of families between 51-80% to be served by this product ranges between 35-46, and for the AMI ranges of 81-120% AMI, an additional 30-45 families would be served.

## Activity 2

(1) **Activity Name:**

Redevelop Demolished or Vacant Properties

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP – acquisition, demolition and redevelopment;

CDBG – 24 CFR 570.201(a) acquisition, (b) disposition, (c) public improvements, and 24 CFR 570.202 rehabilitation and 24 CFR 570.204 CBDO (CHDO).

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

Ultimate beneficiaries (after redevelopment of the site) will be restricted to low-, moderate-, and middle-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% AMI as promulgated by HUD for this purpose.

(4) **Projected Start Date:**

Upon release of the funding by HUD.

(5) **Projected End Date:**

As long as funds are available (additional funds such as program income, may be allocated to this activity depending on the success of the resale portion of the NSP program and changing neighborhood dynamics as areas become more stabilized) and continued redevelopment of demolished or vacant properties continues, these funds will end no later than July 2013.

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Cissy Fisher, (619) 578-7588, [cissyf@sdhc.org](mailto:cissyf@sdhc.org)

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Citywide, but staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the highest priority.

(8) **Activity Description:**



**Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.**

**For housing related activities, include:**

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

**For acquisition activities, include:**

- **discount rate**

**For financing activities, include:**

- **range of interest rates**

This activity is for acquisition/demolition/redevelopment of foreclosed, abandoned single-family residences that would require more funds to rehabilitate than to demolish and rebuild. After consultation with the City's Development Services Department of Inspections, a determination would be made to demolish the structure instead of attempting to rehabilitate it. The property would then be made available to non-profit housing providers to plan the redevelopment of the property as soon as feasible. Redevelopment may include sale of the property at current fair market value, or below fair market value, or partnership with a non-profit agency. Other possible uses under this activity type might include vacant, foreclosed properties that allow for the expansion or improvement of a public facility.

**(9) Total Budget: (Include public and private components)**

The initial budget from NSP funds is \$200,000. If this amount is not used for this activity, then it will revert back to the financing mechanism activity (Activity #1). It is anticipated that any units acquired under this activity will be purchased at a very deep discount due to the condition of the unit. Should outside parties choose to participate, the budget may expand as circumstances warrant. Note that this is not the primary NSP activity, and the budget will be determined based upon the status of neighborhoods in the NSP priority areas as described above.

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

It is initially anticipated that 2-5 affordable units may be ultimately made available to families earning up to 120% AMI through this activity after the redevelopment of the sites. No projection has been made of the income-level components to be served.

### Activity 3

(1) **Activity Name:**

Acquisition/Rehabilitation & Rental for Low Income Tenants

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP – acquisition/rehabilitation/rental;

CDBG – 24 CFR 570.201(a) acquisition, and 24 CFR 501.202, rehabilitation.

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e.,  $\leq 120\%$  of area median income).

Beneficiaries will be low-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 50% as promulgated by HUD for this purpose.

(4) **Projected Start Date:**

Upon release of the funding by HUD.

(5) **Projected End Date:**

As long as funds are available (additional funds such as program income, may be allocated to this activity depending on the success of the acquisition/rehabilitation and rental portions of the NSP program and changing neighborhood dynamics as areas become more stabilized) and continued acquisition/rehabilitation/rental of properties continues, these funds will end no later than July 2013.

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Steve Snyder, (619) 578-7545, [steves@sdhc.org](mailto:steves@sdhc.org)

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Citywide, but staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the highest priority.

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this

activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries--rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

This activity is for the acquisition/rehabilitation/rental of foreclosed upon properties and will be reserved strictly for household earning less than 50% AMI. The San Diego Housing Commission or a community-based, non-profit organization will purchase single family residences and the San Diego Housing Commission will issue each tenant a Project-Based Section 8 voucher. The unit will remain in the Housing Commission's or community-based, non-profit's portfolio until the family can purchase the unit or it is offered to another eligible family. This will in turn allow each family to enter into the long term possibility of homeownership. The family will always pay no more than 30% of their income pursuant to HUD Section 8 regulations. By leveraging the increased rental revenue generated by the voucher, the Housing Commission will be able to seek out additional leveraging through conventional loan mechanisms and expand the program.

(9) **Total Budget: (Include public and private components)**

The initial budget from NSP funds is \$2,124,533. Private components are not included, presuming worst-case scenario. Presuming the best-case scenario would assume a leveraging component for the expansion of the product. This activity, depending on interest rates being offered by the lending institutions at the time, may result in the leveraging of the NSP funds at a 4:1 ratio. Note that this is the primary NSP activity for the low income set aside portion of the funding, and the budget may be increased by reduction of other activity budgets should circumstances warrant.

(10) **Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

This activity is providing housing opportunities through the acquisition/rehabilitation/rental of foreclosed upon homes and residential properties. The performance measurement outcomes will be measured by the number of rental units provided to families making at or below 50% AMI. This activity is not expected to assist any households over 50% AMI. The initial anticipated number of families to be served by this product is 30.

#### Activity 4

(1) **Activity Name:**

Homebuyer Education Counseling

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP – purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon; redevelop demolished or vacant properties;

CDBG – 24 CFR 570.201(e), housing counseling public services.

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Low-income housing (as amended by NSP) – Beneficiaries will be restricted to low-, moderate-and middle-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% AMI as promulgated by HUD for this purpose.

(4) **Projected Start Date:**

Upon release of the funding by HUD.

(5) **Projected End Date:**

As long as funds are available (additional funds such as program income, may be allocated to this activity depending on the success of the financing mechanism portion of the NSP program and changing neighborhood dynamics as areas become more stabilized) and continued financing/rehab of properties continues, these funds will end no later than July 2013.

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Cissy Fisher, (619) 578-7588, [cissyf@sdhc.org](mailto:cissyf@sdhc.org)

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Citywide, but staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the highest priority.

(8) **Activity Description:**

**Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.**

**For housing related activities, include:**

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

**For acquisition activities, include:**

- **discount rate**

**For financing activities, include:**

- **range of interest rates**

As prescribed by HUD and HERA, each eligible family (making not more than 120% AMI) purchasing a foreclosed upon property must complete a mandatory eight-hour homebuyer financial education course. These funds will go to local counseling agencies to strictly provide these types of preparatory counseling services. Each of the recipients of the financing mechanism provided through the Activity #1 will benefit from these funds.

**(9) Total Budget: (Include public and private components)**

The initial budget from NSP funds is \$50,000. Private components are not included, presuming worst-case scenario. The San Diego Housing Commission will commit an additional \$50,000 towards this effort to supplement the NSP funding.

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

This activity is providing a service for every family receiving the financing mechanism funding described in Activity #1. The performance measurement outcomes will be measured by the number of first time homebuyers that successfully complete the mandatory 8-hour education program. This activity is not expected to assist any households below 50% AMI nor any families between 51-80% AMI. The initial anticipated number of families between 81-120% AMI to be served by this product ranges between 75-163.

## Activity 5

(1) **Activity Name:**

NSP Administration.

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP – grant administration HERA Section 2301(e)(2);

CDBG – grant administration 24 CFR 570.489(a)(i) is superseded by HERA.

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Not required.

(4) **Projected Start Date:**

Upon release of the funding by HUD.

(5) **Projected End Date:**

Continued grant administration through July 2013.

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Cissy Fisher, (619) 578-7588, [cissyf@sdhc.org](mailto:cissyf@sdhc.org)

Steve Snyder, (619) 578-7545, [steves@sdhc.org](mailto:steves@sdhc.org)

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Citywide.

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries--rental or homeownership;
- duration or term of assistance;

- a description of how the design of the activity will ensure continued affordability.

**For acquisition activities, include:**

- discount rate

**For financing activities, include:**

- range of interest rates

This activity is grant administration which includes, but is not limited to, the following activities:

- Compliance monitoring (NSP requirement, Labor Standards, Section 3, procurement, conflict of interest, EEO, URA, Affirmative Marketing, etc.)
- Environmental review for compliance with the National Environmental policies Act (NEPA)
- Contracting
- Procurement (including letting of appropriate Requests for Proposals, Notices of Funding Opportunities, etc.)
- Financial data collection and reporting
- Quarterly reporting
- Data entry and reporting through DRGR
- Providing technical assistance to activity sponsors
- Ensuring public participation

**(9) Total Budget: (Include public and private components)**

NSP allows for 10% of the grant allocation (\$944,237) and 10% of program income (unknown at this time) to be used for grant administration.

**(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

All activities will benefit LMMI households and no monitoring findings issued by HUD as the result of program monitoring.

## **CERTIFICATIONS**

- (1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.
- (10) **Use NSP funds  $\leq$  120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.



(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

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William R. Anderson  
Deputy Chief Operating Officer  
Land Use & Economic Development

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Date

# NSP Substantial Amendment Checklist

*For the purposes of expediting review, HUD asks that applicants submit the following checklist along with the NSP Substantial Amendment and SF-424.*

## Contents of an NSP Action Plan Substantial Amendment

Jurisdiction(s): City of San Diego	NSP Contact Person: Angela Nazareno
Jurisdiction Web Address: <a href="http://www.sandiego.gov">www.sandiego.gov</a>	Address: 1200 Third Avenue, 14th Floor San Diego, CA 92101
	Telephone: 619-236-6944
	Fax: 619-533-3219
	Email: ANazareno@sandiego.gov

The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

### **A. AREAS OF GREATEST NEED**

Does the submission include summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction?

Yes ☒ No ☐ Verification found on page 1.

### **B. DISTRIBUTION AND USES OF FUNDS**

Does the submission contain a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures?

Yes ☒ No ☐ Verification found on page 3.

**Note:** The grantee's narrative must address the three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

### **C. DEFINITIONS AND DESCRIPTIONS**

For the purposes of the NSP, do the narratives include:

- a definition of "blighted structure" in the context of state or local law,  
Yes ☒ No ☐ Verification found on pages 7 and 40.
- a definition of "affordable rents,"  
Yes ☒ No ☐ Verification found on pages 8 and 43.
- a description of how the grantee will ensure continued affordability for NSP assisted housing,

Yes ☒ No ☐. Verification found on page 8.

- a description of housing rehabilitation standards that will apply to NSP assisted activities?

Yes ☒ No ☐. Verification found on page 8.

***D. INFORMATION BY ACTIVITY***

Does the submission contain information by activity describing how the grantee will use the funds, identifying:

- eligible use of funds under NSP,  
Yes ☒ No ☐. Verification found on pages 13, 16, 18, 20 and 22.
- correlated eligible activity under CDBG,  
Yes ☒ No ☐. Verification found on pages 13, 16, 18, 20 and 22.
- the areas of greatest need addressed by the activity or activities,  
Yes ☒ No ☐. Verification found on pages 13, 16, 18, 20 and 22.
- expected benefit to income-qualified persons or households or areas,  
Yes ☒ No ☐. Verification found on pages 14, 17, 19, 21 and 23.
- appropriate performance measures for the activity,  
Yes ☒ No ☐. Verification found on pages 14, 17, 19, 21 and 23.
- amount of funds budgeted for the activity,  
Yes ☒ No ☐. Verification found on pages 14, 17, 19, 21 and 23.
- the name, location and contact information for the entity that will carry out the activity,  
Yes ☒ No ☐. Verification found on pages 13, 16, 18, 20 and 22.
- expected start and end dates of the activity?  
Yes ☒ No ☐. Verification found on pages 13, 16, 18, 20 and 22.

***E. SPECIFIC ACTIVITY REQUIREMENTS***

Does each activity narrative describe the general terms under which assistance will be provided, including:

If the activity includes acquisition of real property,

- the discount required for acquisition of foreclosed upon properties,  
Yes ☒ No ☐. Verification found on page 4.

If the activity provides financing,

- the range of interest rates (if any),  
Yes ☒ No ☐. Verification found on pages 4 and 5.

If the activity provides housing,

- duration or term of assistance,  
Yes ☒ No ☐. Verification found on page pages 13, 16, 18, 20 and 22.
- tenure of beneficiaries (e.g., rental or homeownership),  
Yes ☒ No ☐. Verification found on pages 13, 16, 18 and 20.
- does it ensure continued affordability?  
Yes ☒ No ☐. Verification found on pages 4 - 7.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?  
Yes ☒ No ☐. Verification found on page 18.

**F. LOW INCOME TARGETING**

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?  
Yes ☒ No ☐. Verification found on pages 5 and 18.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50% of area median income?  
Yes ☒ No ☐. Verification found on pages 5 and 18.  
Amount budgeted = \$2,124,533.

**G. DEMOLISHMENT OR CONVERSION OF LOW- AND MODERATE-INCOME UNITS**

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

Yes ☐ No ☒. (If no, continue to next heading)  
Verification found on page N/A.

Does the substantial amendment include:

- The number of low- and moderate-income dwelling units—i.e.,  $\leq 80\%$  of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities?  
Yes ☐ No ☒. Verification found on page N/A.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e.,  $\leq 120\%$  of area median income—reasonably expected to be produced by activity and income level as provided for

in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion)?

Yes ☐ No ☒. Verification found on page N/A.

- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income?

Yes ☐ No ☒. Verification found on page N/A.

#### ***H. PUBLIC COMMENT PERIOD***

Was the proposed action plan amendment published via the grantee jurisdiction's usual methods and on the Internet for no less than 15 calendar days of public comment?

Yes ☒ No ☐. Verification found on page 12.

Is there a summary of citizen comments included in the final amendment?

Yes ☒ No ☐. Verification found on page 44.

#### ***I. WEBSITE PUBLICATION***

The following Documents are available on the grantee's website:

- SF 424 Yes ☒ No ☐.
- Proposed NSP Substantial Amendment Yes ☒ No ☐.
- Final NSP Substantial Amendment Yes ☒ No ☐.
- Subsequent NSP Amendments Yes ☒ No ☐.

Website URL: <http://www.sandiego.gov>

#### ***K. CERTIFICATIONS***

The following certifications are complete and accurate:

- |  |   |                             |
|--|---|-----------------------------|
| (1) Affirmatively furthering fair housing                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) Anti-lobbying  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction                              | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) Consistency with Plan                                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (5) Acquisition and relocation                             | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (6) Section 3  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (7) Citizen Participation                                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (8) Following Plan   | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (9) Use of funds in 18 months                              | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (10) Use NSP funds $\leq$ 120 of AMI                       | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (12) Excessive Force                                       | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws              | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures           | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (15) Compliance with laws                                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

EXHIBIT A1  
All San Diego Eligible Census Tracts

Legend

Year

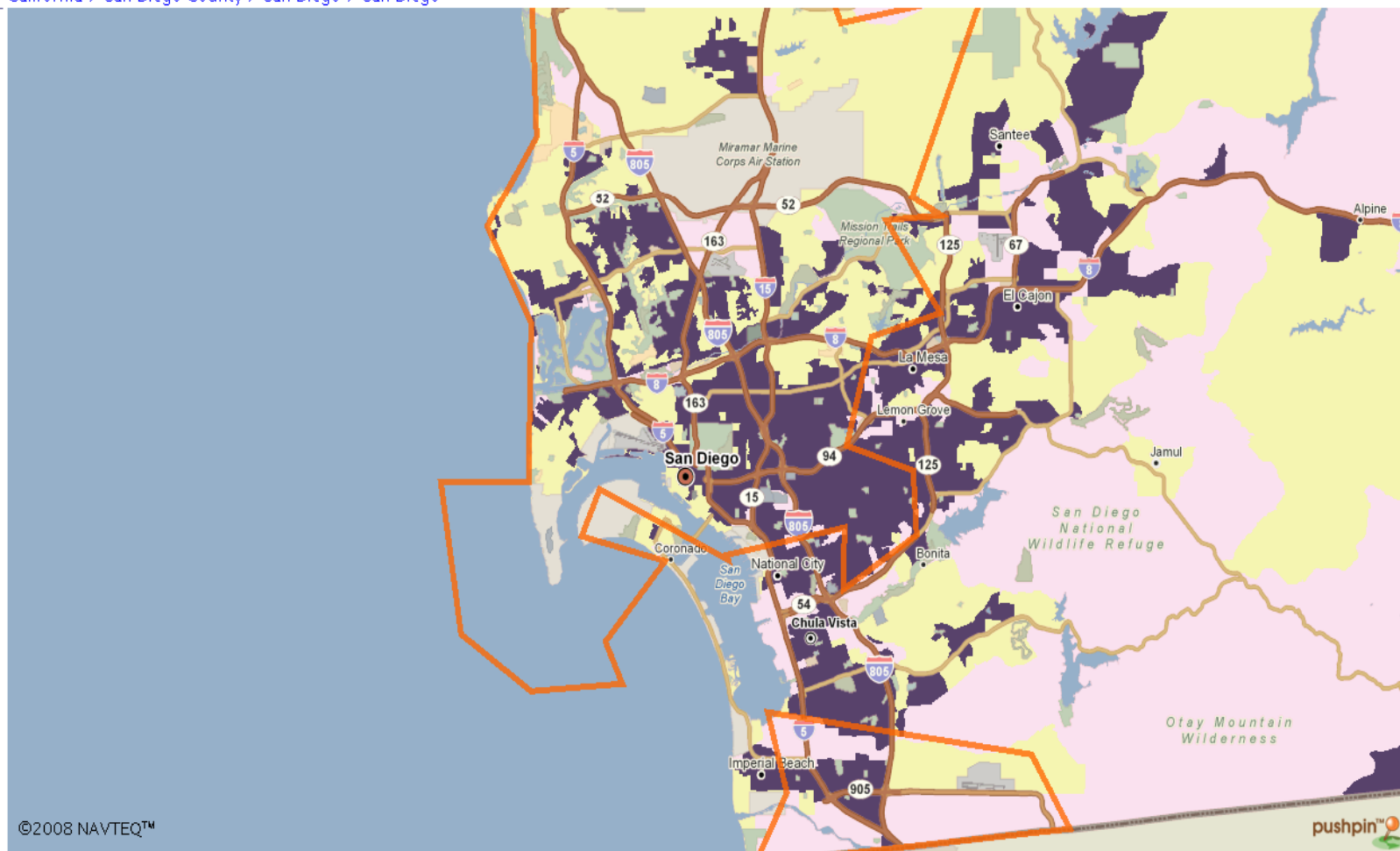
2008

Variable

enum

- Insufficient Data
- Eligible
- Partially Eligible
- Not Eligible

California > San Diego County > San Diego > San Diego





# EXHIBIT A2 San Diego Eligible Census Tracts

## Legend

Year

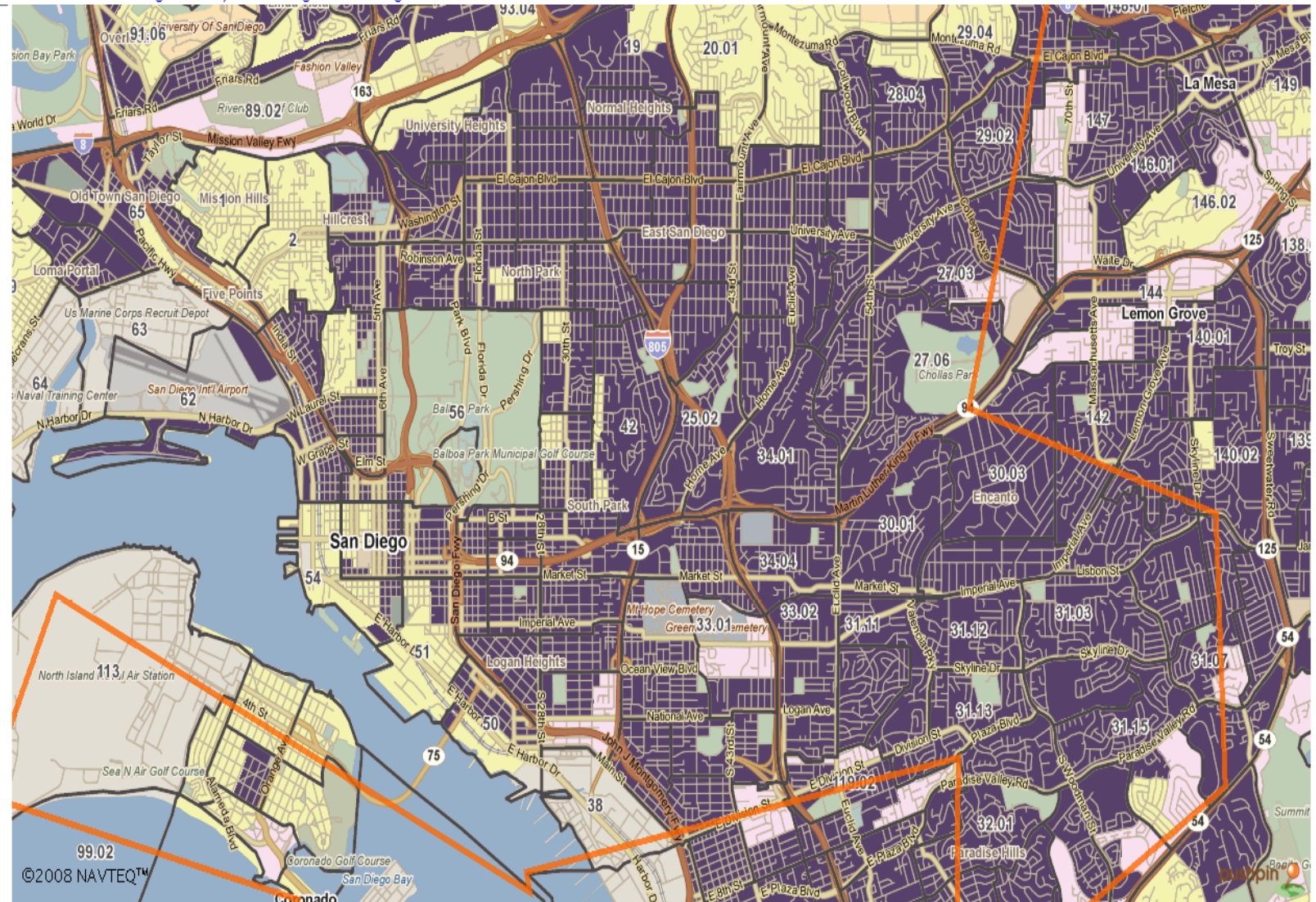
2008

Variable

enum

- Insufficient Data
- Eligible
- Partially Eligible
- Not Eligible

California > San Diego County > San Diego > San Diego > 92105



# EXHIBIT A3 South Bay Eligible Census Tracts

## Legend

Year

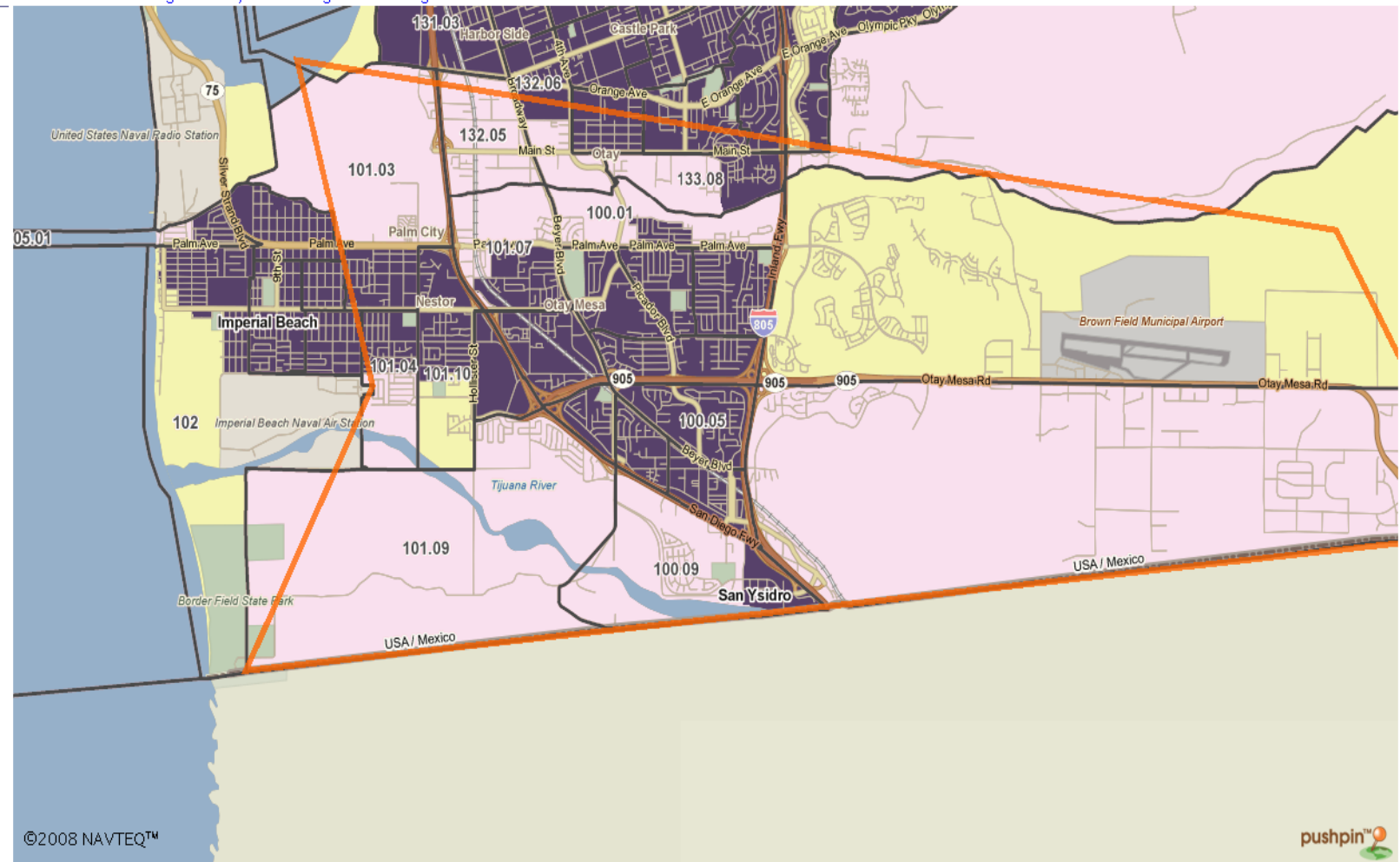
2008

Variable

enum

- Insufficient Data
- Eligible
- Partially Eligible
- Not Eligible

California > San Diego County > San Diego > San Diego > 92173

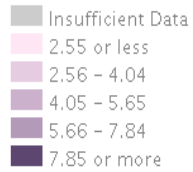




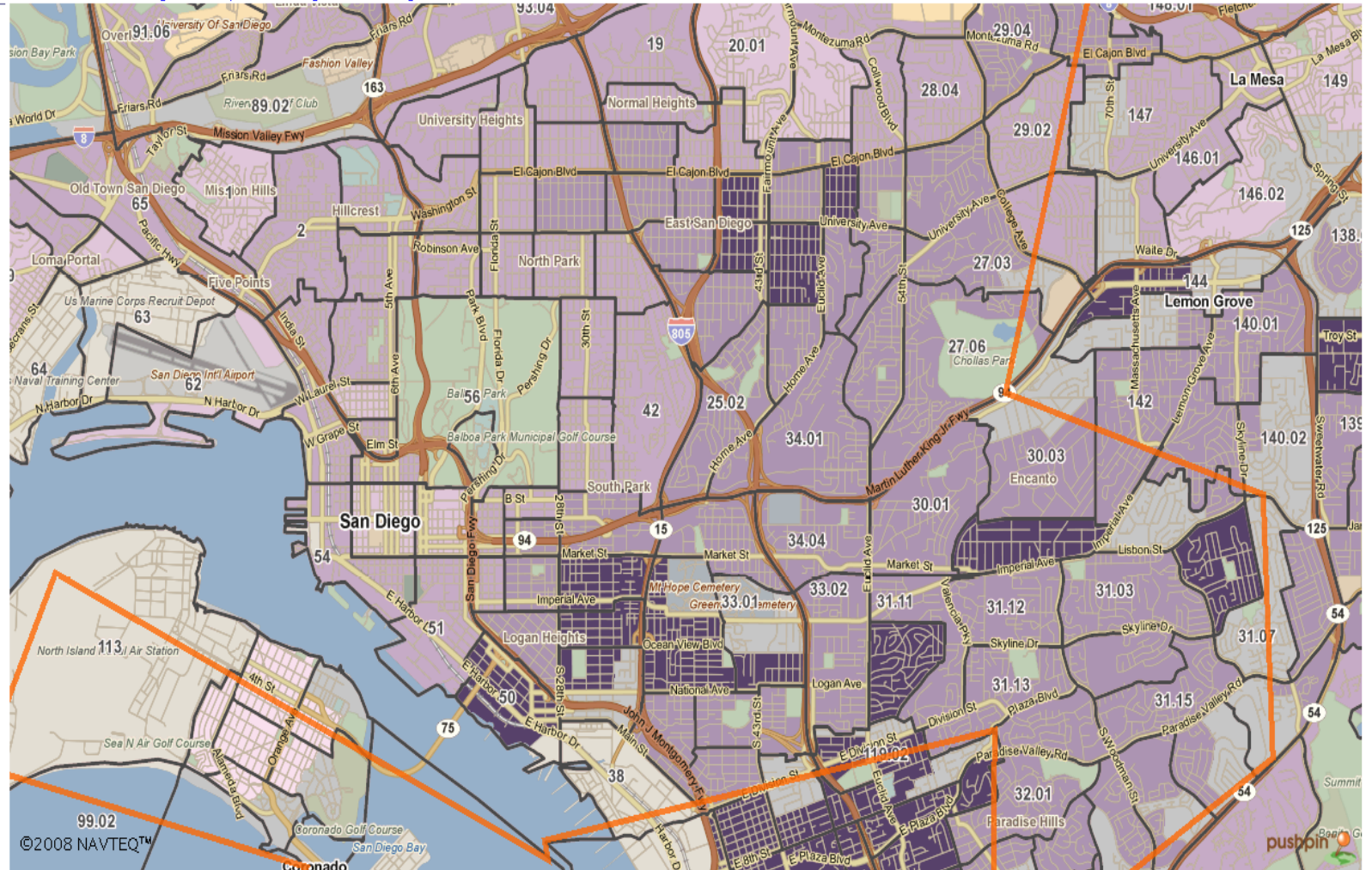
# EXHIBIT A4 18 Month Foreclosure Problem Forecast

## Legend

Year  
2008  
Variable  
rate



California > San Diego County > San Diego > San Diego > 92105



# EXHIBIT A5 South Bay 18 Month Foreclosure Problem Forecast

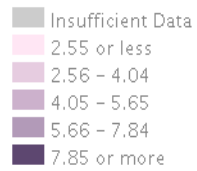
## Legend

Year

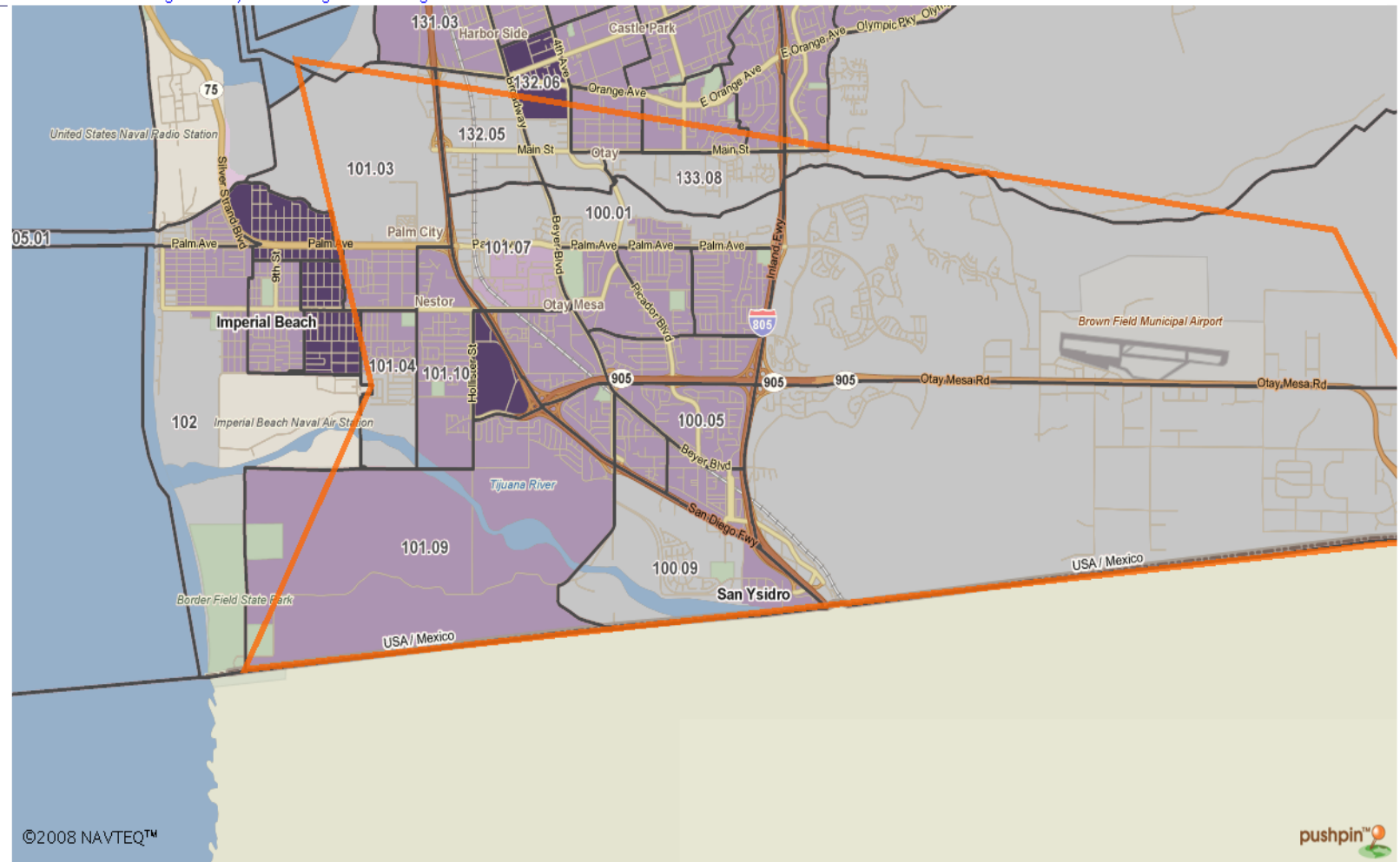
2008

Variable

rate



California > San Diego County > San Diego > San Diego > 92173





## San Diego Foreclosure Risk Score

### Legend

Year

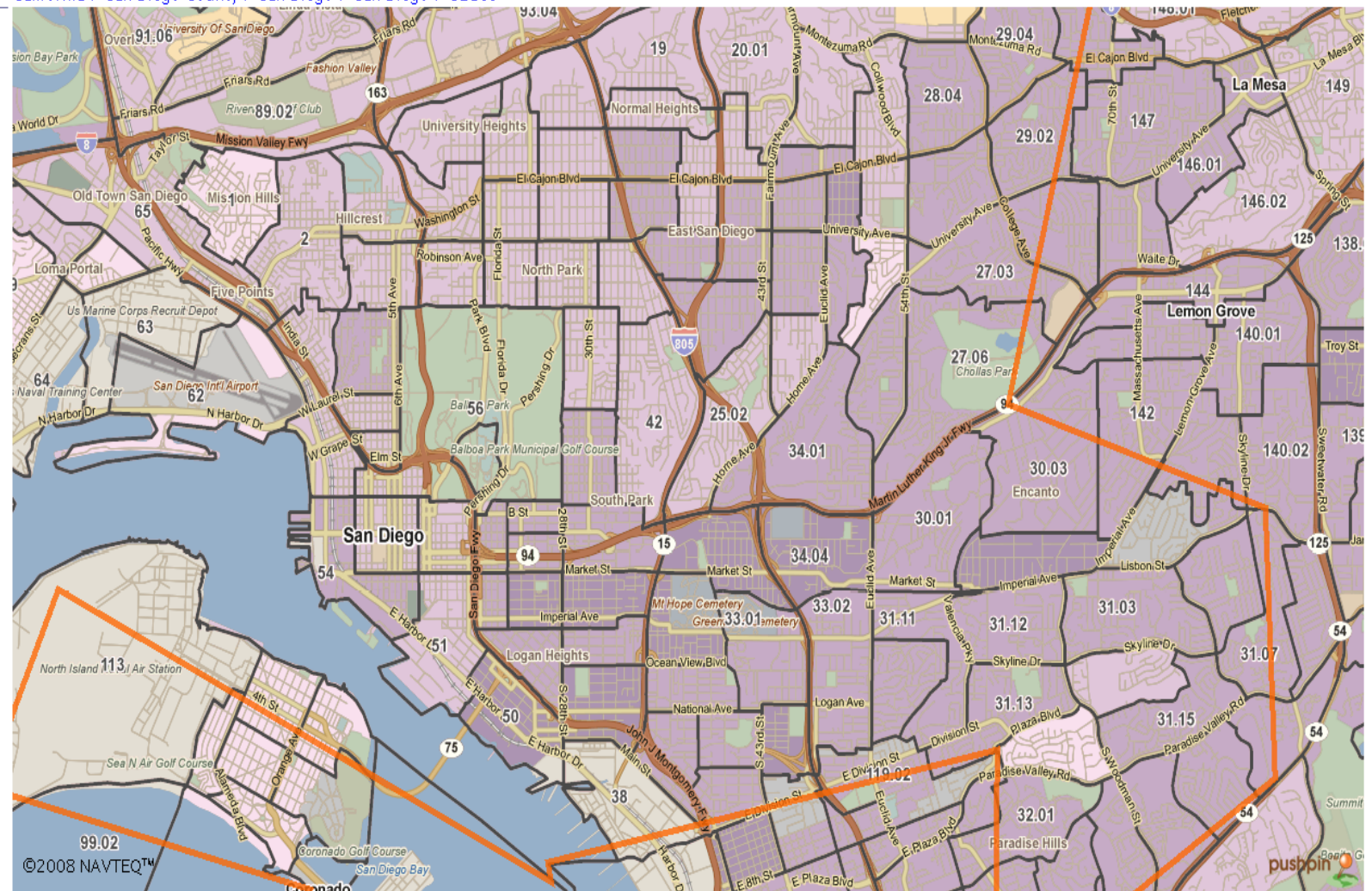
2008

Variable

score

- Insufficient Data  
 ■ 3 or less  
 ■ 4 - 5  
 ■ 6 - 7  
 ■ 8 - 9  
 ■ 10 or more

[California](#) > [San Diego County](#) > [San Diego](#) > [San Diego](#) > [92105](#)



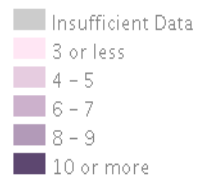
### Legend

Year

2008

Variable

score



[California](#) > [San Diego County](#) > [San Diego](#) > [San Diego](#) > [92173](#)

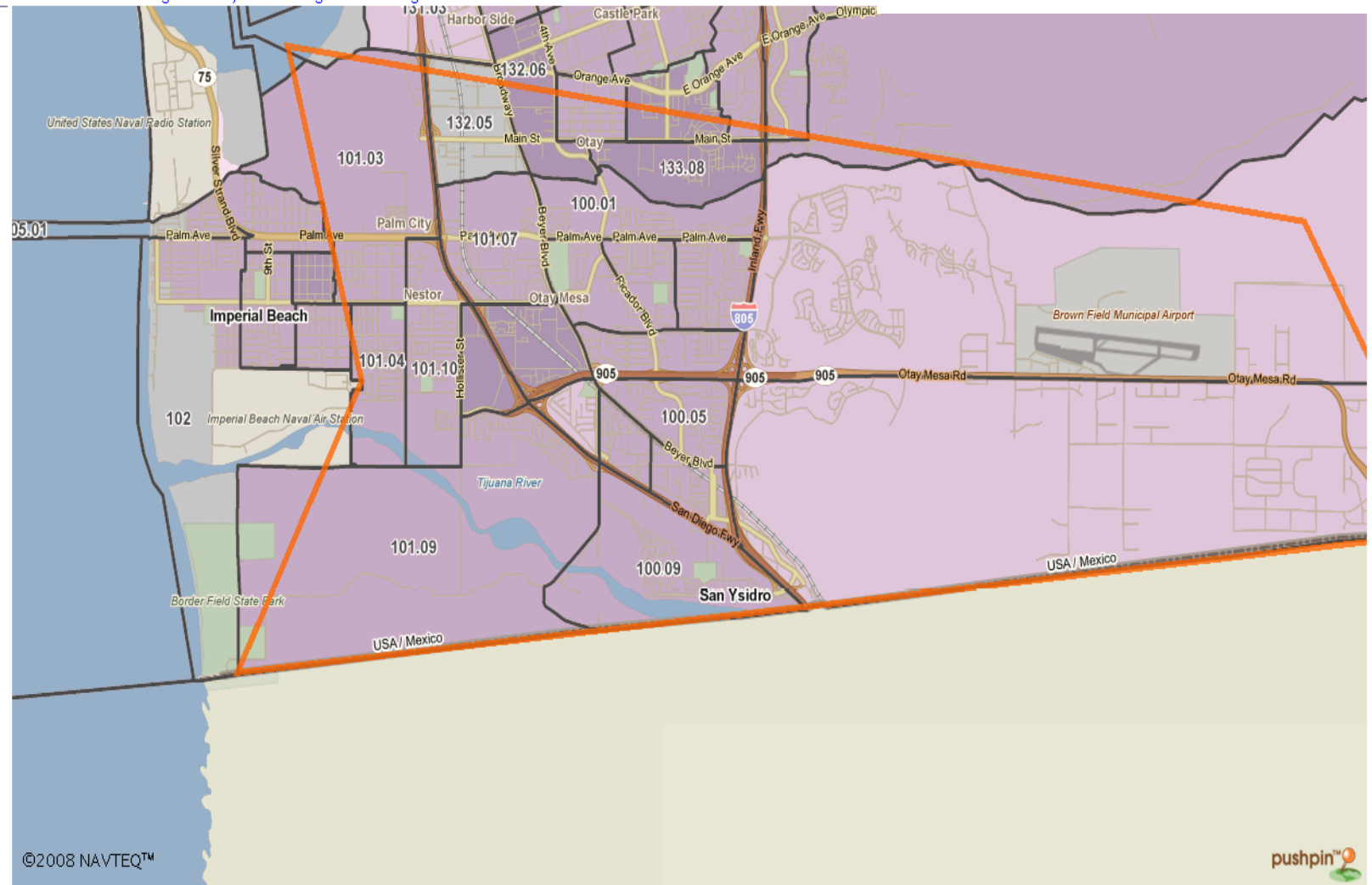






EXHIBIT A9  
South Bay High Cost Loan Areas

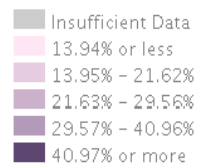
### Legend

Year

2008

Variable

percent



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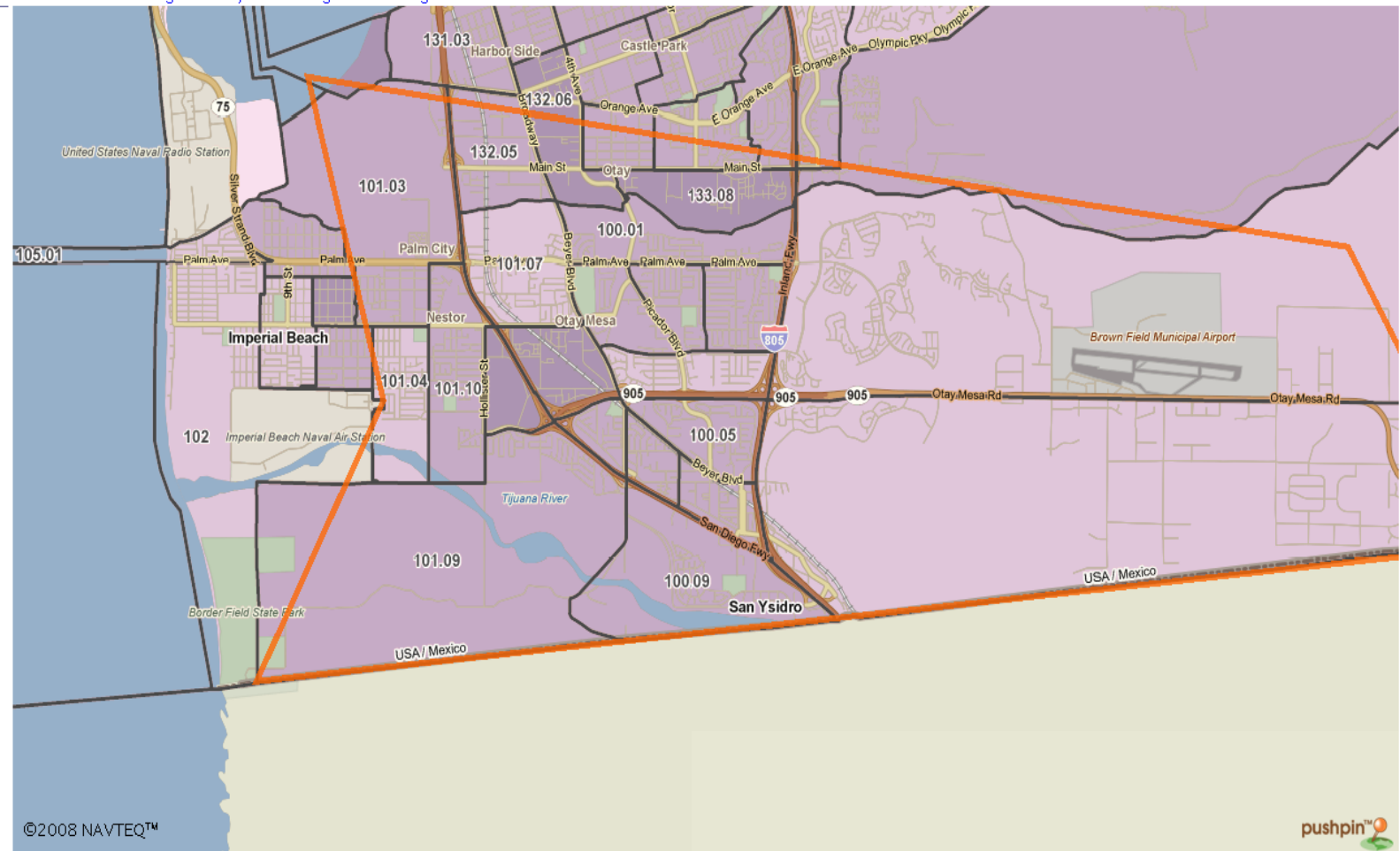


EXHIBIT A10 COMING

CALIFORNIA CODES  
HEALTH AND SAFETY CODE  
SECTION 33030-33031

- 33030.(a) It is found and declared that there exist in many communities blighted areas that constitute physical and economic liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of these communities and of the state.
- (b) A blighted area is one that contains both of the following:
- (1) An area that is predominantly urbanized, as that term is defined in Section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.
  - (2) An area that is characterized by one or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.
- (c) A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer utilities.
33031. (a) This subdivision describes physical conditions that cause blight:
- (1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.
  - (2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.
  - (3) Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.
  - (4) The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.
- (b) This subdivision describes economic conditions that cause blight:
- (1) Depreciated or stagnant property values.
  - (2) Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).



- (3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.
- (4) A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
- (5) Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, "overcrowding" means exceeding the standard referenced in Article 5 (commencing with Section 32) of Chapter 1 of Title 25 of the California Code of Regulations.
- (6) An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.
- (7) A high crime rate that constitutes a serious threat to the public safety and welfare.

EXHIBIT C

**City of San Diego  
Neighborhood Stabilization Program (NSP)  
Initial Budget**

Activity 1	\$6,123,600	NSP-1 Financing Mechanisms
Activity 2	\$ 200,000	NSP 2 Redevelop Demolished or Vacant Properties
Activity 3	\$2,124,533	NSP-3 Acquisition/Rehab/Rental (50% AMI)
Activity 4	\$ 50,000	NSP-4 Homebuyer Education Counseling
Activity 5	<u>\$ 944,237</u>	NSP-5 Administration
TOTAL GRANT:	\$9,442,370	
Leverage for Activity 1	\$15,176,640	NSP-1 Financing Mechanisms
Leverage for Activity 2	\$ 8,498,132	NSP-2 Acquisition/Rehab/Rental (50% AMI)
Leverage for Activity 3	<u>\$ 50,000</u>	NSP-3 Homebuyer Education Counseling
TOTAL LEVERAGE:	\$23,724,772	
TOTAL (Grant + Leverage)	\$33,167,142	

# EXHIBIT D San Diego MSA Income and Rent Restriction Schedule

		Extremely Low Income <b>30% AMI</b> (Adjusted by HUD)			<b>35% AMI</b> (Adjusted by HUD)			<b>40% AMI</b> (Adjusted by HUD)			Very Low Income <b>50% AMI</b> (Adjusted by HUD)		
Family Size	Unit Size	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup> / "Low HOME" <sup>3</sup>
ONE	STUDIO	\$ 16,600	\$415	\$ 483	\$ 19,350	\$484	\$ 518	\$ 22,100	\$553	\$ 553	\$ 27,650	\$691	\$691
TWO	1-BR	\$ 18,950	\$474	\$ 518	\$ 22,100	\$553	\$ 518	\$ 25,300	\$633	\$ 592	\$ 31,600	\$790	\$740
THREE	2-BR	\$ 21,350	\$534	\$ 622	\$ 24,900	\$623	\$ 622	\$ 28,450	\$711	\$ 711	\$ 35,550	\$889	\$888
FOUR	3-BR	\$ 23,700	\$593	\$ 718	\$ 27,650	\$691	\$ 718	\$ 31,600	\$790	\$ 821	\$ 39,500	\$988	\$1,026
FIVE	4-BR	\$ 25,600	\$640	\$ 801	\$ 29,850	\$746	\$ 801	\$ 34,150	\$854	\$ 916	\$ 42,650	\$1,066	\$1,145
SIX	5-BR	\$ 27,500	\$688	\$ 885	\$ 32,050	\$801	\$ 885	\$ 36,650	\$916	\$1,011	\$ 45,800	\$1,145	\$1,264
SEVEN	6-BR	\$ 29,400	\$735		\$ 34,300	\$858		\$ 39,200	\$980		\$ 49,000	\$1,225	\$1,382
EIGHT		\$ 31,300			\$ 36,500			\$ 41,700			\$ 52,150		

		<b>60% AMI</b> (Adjusted by HUD)			<b>65% AMI</b> (Adjusted by HUD)			<b>70% AMI</b> (Adjusted by HUD)		Low Income <b>80% AMI</b> (Adjusted by HUD)	
Family Size	Unit Size	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	"High HOME" <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>
ONE	STUDIO	\$ 33,180	\$830	\$829	\$35,950	\$899	\$879	\$38,700	\$968	\$44,250	\$1,106
TWO	1-BR	\$ 37,920	\$948	\$888	\$41,100	\$1,028	\$943	\$44,250	\$1,106	\$50,550	\$1,264
THREE	2-BR	\$ 42,660	\$1,067	\$1,066	\$46,200	\$1,155	\$1,133	\$49,750	\$1,244	\$56,900	\$1,423
FOUR	3-BR	\$ 47,400	\$1,185	\$1,232	\$51,350	\$1,284	\$1,301	\$55,300	\$1,383	\$63,200	\$1,580
FIVE	4-BR	\$ 51,180	\$1,280	\$1,374	\$55,450	\$1,386	\$1,431	\$59,700	\$1,493	\$68,250	\$1,706
SIX	5-BR	\$ 54,960	\$1,374	\$1,517	\$59,550	\$1,489	\$1,561	\$64,150	\$1,604	\$73,300	\$1,833
SEVEN	6-BR	\$ 58,800	\$1,470		\$63,650	\$1,591	\$1,691	\$68,550	\$1,714	\$78,350	\$1,959
EIGHT		\$ 62,580			\$67,800			\$73,000		\$83,400	

		<b>100%</b> Area Median Income (No HUD adjustment)		<b>120% AMI</b> (No HUD adjustment)	
Family Size	Unit Size	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>
ONE	STUDIO	\$ 50,450	\$1,261	\$ 60,550	\$1,514
TWO	1-BR	\$ 57,700	\$1,443	\$ 69,200	\$1,730
THREE	2-BR	\$ 64,900	\$1,623	\$ 77,850	\$1,946
FOUR	3-BR	\$ 72,100	\$1,803	\$ 86,500	\$2,163
FIVE	4-BR	\$ 77,850	\$1,946	\$ 93,400	\$2,335
SIX	5-BR	\$ 83,650	\$2,091	\$ 100,350	\$2,509
SEVEN	6-BR	\$ 89,400	\$2,235	\$ 107,250	\$2,681
EIGHT		\$ 95,150		\$ 114,200	

**SUMMARY OF PUBLIC COMMENTS**

1.